



IRAQ

July 2021

TECHNICAL ASSISTANCE REPORT—CUSTOMS VALUATION, RULES OF ORIGIN AND TARIFF CLASSIFICATION OF GOODS

This Technical Assistance Report for Iraq on Customs Valuation, Rules of Origin and Tariff Classification of Goods was prepared by a staff team of the international monetary fund. It is based on the information available at the time it was completed in April 2021.

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TECHNICAL ASSISTANCE REPORT

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Customs Valuation, Rules of Origin and Tariff Classification of Goods

APRIL 2021

PREPARED BY
Djamel Bouhabel



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CONTENTS

GLOSSARY	4
INTRODUCTION	5
CURRENT SITUATION	5
TECHNICAL ASSISTANCE PROVIDED	6
KEY FINDINGS	6
A. Assessment of Customs Value	6
B. Assessment of Tariff Classification	8
C. Assessment of Goods' Origin	9
RELATED ISSUES	10
A. Appeal Mechanism	11
B. Use of Information and Communications Technology	11
C. Risk Management	13
D. Post-Clearance Audit	13
E. Training and Communication	14
SUMMARY OF RECOMMENDATIONS AND NEXT STEPS	15
BOX	
1. Summary of Recommendations	15
FIGURE	
1. Government Revenues from 2016 to 2020 (USD Billions)	6
APPENDICES	
I. Audit Process—Preferential Rules of Origin	16
II. The Customs Valuation Audit Process	21

Glossary

ASYCUDA	Automated System for Customs Data
BCP	Border Crossing Point
BDV	Brussel Definition of Value
HQ	Headquarters
HS	Harmonized System
ICT	Information and Communications Technology
IT	Information Technology
GCA	General Customs Authority
PCA	Post-clearance Audit
PPP	Price Paid or Payable
SOP	Standard Operation procedures
STX	Short-term Expert
TA	Technical Assistance
WTO	World Trade Organization
WCO	World Customs Organization

INTRODUCTION

1. This report summarizes key findings and recommendations from a remote technical assistance (TA) assignment performed by a short-term expert (STX), Mr. Djamel Bouhabel, from January 17 to February 4, 2021, to the General Customs Authority of Iraq (GCA). The main objective of the TA was to advise GCA on the development and effective application of customs assessment processes based on international standards and best practices.

2. The tasks to be addressed were:

- Review the implications of the following elements on customs' assessment processes that regulate the determination of origin, tariff classification and valuation: legal framework, organizational issues, management, information and communications technology (ICT), standard operation procedures (SOP), and training and trader's enlightenment.
- Advice on the development and effective application of customs assessment processes based on international standards and best practices.
- Draft inputs to a strategic plan regarding assessment processes.
- Identify any further technical assistance (TA) that would be beneficial in relation to valuation, rules of origin, and tariff classification).

3. This report consists of five sections: (i) Current situation, (ii) TA Provided, (iii) Key findings, (iv) Other issues, and (v) Recommendations and next steps. It was produced based on a desk review of available information and discussion with each concerned department of GCA. The information obtained by the STX is limited largely because of inadequate data availability: GCA apparently has difficulty to benefit from ICT support in compiling data.

CURRENT SITUATION

4. Since late 2015, and in response to the sharp drop in global oil prices, Iraq has undertaken several reform initiatives to diversify the economy and increase the effectiveness of non-oil revenue collection. In October 2020, the Iraqi government released a new roadmap (the white paper), detailing new series of economic and financial reforms. Improving budget efficiency and spending, creating new economic opportunities, broadening the tax base, and improving revenue administrations are among the most important measures the Iraqi government wants to implement.

5. The Iraqi revenue system is based on two main sources, extractive industries (mainly petroleum), income taxes and customs. Those sources represent at least 98 percent of total

government revenue. As shown in Figure 1, customs duties, which is the only duty and tax collected by GCA, represent merely 1.5 percent¹ of total government revenue, and they are also minuscule compared to the size of imports (around USD 36 billion²). The effective tariff rate is under 2.6 percent while the average tariff rate is 10 percent,³ indicating potential for significant improvement.

Figure 1. Government Revenues from 2016 to 2020 (USD Billions)

	2016	2017	2018	2019	2020
Total receipt	82	66	77	89	57
Extractive revenues (oil & others)	60	57	65	79	49
Other revenues (income taxes & others)	21.5	8	10.5	9.2	7.2
Customs duties	0.5	1	1.5	0.8	0.8
% of customs duties to total tax receipt	0.60%	1.5%	2%	0.9%	1.4%

Source: Author's calculations and analysis based on government budgets (2016 to 2020).

TECHNICAL ASSISTANCE PROVIDED

6. During his assignment, the STX presented some of the international standards in customs valuation processes (see Appendix I) and those of the World Trade Organization (WTO) (Appendix II). The STX also emphasized the importance of the trade data accuracy in guiding decisions on investment priorities.

KEY FINDINGS

7. Once the origin, tariff classification and value for duty have been declared by the importer, the GCA has the authority to verify, audit and examine the particulars of any importation and, if necessary, impose its policy and decisions on the assessment of the imported goods and re-determine the value based on the following three major factors: customs valuation; determination of goods' origin, and tariff classification.⁴

A. Assessment of Customs Value

8. Assessment of customs value is based on an outdated legal and regulatory framework. The actual Customs Act (1984)⁵ in its article 34 uses the Brussel Definition of Value (BDV)⁶ as a basis

¹ Average of the last five years (2016-2020)

² Average of the last five years (2016-2020)

³ STX analysis based on the last five years Iraqi draft budget analysis (2016-2020)

⁴ This is stipulated by Customs Act (1984) Article 62. Re-determination of the value is based on Articles 62 to 74.

⁵ Articles 34 to 37 of the Customs Act (1984)

for the assessment of the customs value of the imported goods. BDV treats customs value as the price at which the goods would be sold. The essential elements being price, time, place, quantity, and commercial level. In most cases, the BDV artificially inflates the cost of imported goods and negatively impacts the final price to consumers. The use of the BDV is not in line with the international standards. Iraqi authorities should consider the use of the "transaction value" outlined in the WTO Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade (1994), also known as WTO Valuation Agreement.

9. The assessment of customs value at GCA is completed by one or two units as per the case. The assessment process starts with the customs affairs unit at the border crossing point (BCP) who is responsible of the admissibility of the customs declaration by reviewing the correctness of submitted information (name of the importer, name of the seller, imported products, etc.). The physical inspection follows this activity. In the cases where the frontline posts customs officers could not assess the customs valuation of the imported goods for any reason (e.g., new imported products, lack of information), the related declarations are referred to the "valuation determination unit" at the GCA headquarters (HQ) for more analysis and final assessment. Like many other countries, assessment of customs value for imported cars represents the most difficult challenges.

10. As long as the declared import value does not exceed the value stored in the value database by five percent, the assessment of customs value is based on the declared value of the imported goods supported by the commercial invoices.⁷ Otherwise, the declared value will be rejected by GCA and subject to a fine at a fixed amount of 750,000 Iraqi Dinars,⁸ and the value database's data will be used for duty calculation. The practice is known as "minimum price".⁹ GCA HQ Value Database Committee is managing and updating the value database. Besides, GCA unilaterally applies unique and arbitrary fixed rates for insurance and freight cost which also comprises customs value: 1.25 USD per ton for insurance and 2,500 USD for freight cost.

11. The "minimum price" is not in conformity with the International standards. Value information stored in the database should not be used as minimum prices, but for risk management purpose through which import with declared value lower than the value data may be tested if it is

⁶ Convention on the Valuation of Goods for Customs Purposes was signed in Brussels in December 1950 and entered into force in July 1953. Iraq adopted the BDV in 1955.

⁷ Customs Act (1984) Article 197.

⁸ As per article 197 of the Customs Act a fine not less than two folds of the duties, and not exceeding four folds shall be imposed. In 2019 the Council of Ministers introduced by decision number 63 a fixed fine at the amount of 500 000 DI. In 2020, new decision, number 63 (2020) rise the fixed fine to 750 000 DI. For any discrepancies related to valuation, origin and classification.

⁹ Minimum price is not "transaction value" stipulated in the WTO Valuation Agreement. It can be regarded as arbitrary, fictitious values.

normal trade transaction (e.g., no dumping, no special relationship between the seller and the buyer, no business agreement on commission and royalty, etc.).

12. At this moment, GCA may not have challenges in under-invoicing, but likely over-invoicing. GCA applies minimum price so that under-invoicing would be rejected. To the contrary, over-invoicing is likely used by traders to illegally transfer the hard currency abroad. Based on our discussion with the Iraqi customs officials, it has been revealed that for a large number of import transactions, the amounts transferred through the Iraqi Central Bank, as a payment for the imported goods exceeded the amounts of the declared customs value. The excess amounts are generally used either for investments in foreign countries' markets or repatriated to Iraq to be sold in the local hard currency black market. GCA hopes that the future implementation of the Automated System for Customs Data (ASYCUDA) world with interface with Central Bank will offer a comprehensive and definitive solution to this issue.

13. The STX did not examine whether or not Iraqi tax laws regulate cross border profits shifting, but It advised that GCA should start discussion with the Iraqi tax administration about how it can support the fight against cross-border profit shifting. Together with the tax administration, GCA should develop their own approach to tackle cross border profit shifting by using international standards and good practices¹⁰ as available technical sources.

B. Assessment of Tariff Classification

14. GCA needs to enhance its capacity to conduct goods classification for tariff rate application in a manner of uniform application and interpretation. Until 2016, a flat tariff duty rate of five percent was applied to any imports and there was no need for classifying goods. The situation changed in 2016 by the introduction of a multiple tariff rates schedule ranging from zero to 80 percent. Since 2018, partly due to weak GCA capacity in goods classification, the tariff structure has been simplified with four customs duty rates: 0, 10, 15, and 30 percent.

15. Before the customs import declaration, import goods classification is needed for the use by other government agencies regarding import certificates, licenses, quota eligibility, and hard currency control. For some of these objectives, "The State Company for Iraqi Fairs and Commercial Services"¹¹ confirms goods classification in the application. In some rare cases, the importer and the Iraqi Fairs and Commercial Services does not agree with the goods classification, GCA is invited to give its opinion to them. Import declarations and these import supporting documents must contain Iraqi goods classification code based on Harmonized System (HS).

¹⁰ For example, World Customs Organization (WCO) Guide on Customs Valuation and Transfer Pricing, and Organization for Economic Co-operation and Development, Base Erosion and Profit Shifting Framework. <http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/key-issues/revenue-package/wco-guide-to-customs-valuation-and-transfer-pricing.pdf?la=en>

¹¹ This is a subsidiary of the Ministry of Commerce

16. Once the customs import declaration is placed, the tariff classification assessment is conducted in two phases. In the first phase, BCP assesses the classification, which is then reviewed by HQ's "Tariff Verification Unit". Customs assessment on tariff classification is based on GCA's assessment with information provided by the importer, the research and investigation on the characteristics of the imported product, following the General Rules for the Interpretation of the HS which is the internationally established standard.¹² A fine at a fixed amount of DI 750,000 is imposed for any discrepancies between the declared tariff classification and the assessed one.

17. The second phase starts when all the customs declarations are sent for desk transactional audit at the tariff verification unit. The purpose of this review is not to ensure the accuracy of tariff classification assessment. Rather, it is to ensure that the calculation of the customs duties and related charges are accurate. Both phases lack coherence, uniformity, and clear procedures on the General Rules for the Interpretation of the HS. This results in a significant number of inconsistency and discrepancies between the two phases. Thus, a high number of new reassessments are regularly generated.

18. The collection of debts due, following the recalculation of the sums owed in customs duties, taxes, and related fees, are causing real concern to GCA. The lack of staff,¹³ the use of manual and outdated collection procedures and the difficulties to track and trace the non-compliant importers, cause delays and raise many concerns about collecting the amounts. Some of them will be extinguished before the end of the collection process as per the statutory extinctive prescriptions for the customs action penalty limited to 3 years.¹⁴ Other issues that exacerbate the situation is the actual delays in proceeding with the audits. The tariff verification unit is currently reviewing customs declarations for 2018 and 2019.

19. No customs or certified independent laboratories are in place to ensure assessment accuracy of the tariff classification of the imported goods. In some instances, a complete lab analysis may be required to accurately determine or confirm the good's composition. Many Customs Laboratory Guides which provides several practical advice in setting up and operating modern customs laboratory are freely available.

C. Assessment of Goods' Origin

20. All exports to Iraq need valid certificates of origin that must be authenticated and legalized by the Iraqi representatives in the export countries which is mandatory supporting

¹² General Rules for the Interpretation of the HS is the internationally established rules that govern the classification of goods under the HS. http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/nomenclature/instruments-and-tools/hs-interpretation-general-rules/0001_2012e_gir.pdf?la=en

¹³ The tariff verification unit at the HQ had 80 customs officers.

¹⁴ Article 253 of the Customs Act (1984).

document of the import declaration.¹⁵ In case of non-compliance with this requirement, the imported goods can still be released if appropriate guarantee, which covers the related customs duties and charges provided. These documents are transmitted by the Iraqi representatives in the export countries to the General Commission for border crossings in Iraq¹⁶.

21. Iraq has decided to withdraw from all free trade agreements which it has acceded¹⁷, except one with Jordan. As a result, declarations applying to the preferential tariff rates are almost non-existent and no substantial needs to examine the goods' origin. Also, consular visa on certificate of origin may authenticate the document, but it does not assure the contents are just because Iraqi representative offices unlikely have capacity to check the contents of certificate of origin. During this STX assignment, no unit in GCA is accountable of the objective of the current process of certificate of origin and determination of goods' origin. Except goods coming from Jordan, goods' origin information may be used only to comply trade statistics which applies non-preferential rules of origin.¹⁸

RELATED ISSUES

22. There are issues directly and indirectly impacting the performance of customs valuation, determination of origin, and tariff classification. A finding of cross-cutting issues is that the legal and regulatory framework is obsolete and needs modernization. Iraq needs urgently new legal and regulatory framework governing customs, modernizing organization and procedures as well as empowering customs to properly conduct necessary control and penalty clauses with sufficient deterrent effects, through which trader's compliance level would be improved and the customs revenue collection performance would increase. GCA explained that a bill revising the Customs Act (1984) entailing modern customs principles is to be submitted to the parliament for approval by mid-2021.¹⁹ Besides of customs law revision, among others, this STX had opportunity to review appeal mechanism, use of ICT, risk management, post-clearance audit (PCA), and training and communication.

¹⁵ See Customs Act (1984) Article 31. Such practices are called "consular visas". Consular visas were recommended to abolish in 1954 by General Agreement on Tariff and Trade (GATT, predecessor of WTO), L/279, 1954. Besides, GCA also requires that the import invoices be authenticated and legalized by Iraqi representative in the export country.

¹⁶ Law No. 30 (2016) and Decree of application No. 453(2019). General Commission for border crossings has been created mainly to coordinate the work of different Iraqi federal ministries and agencies and to improve the quality of services provided at BCPs.

¹⁷ For example, Great Arab Free Trade Agreement in November 2016, the league of Arab States, the Trade and Investment Framework Agreement (TIFA) with the United States since 2013, and the Partnership and Cooperation Agreement with the European Union since 2012).

¹⁸ WTO Agreements on Trade in Goods - Rules of Origin (1994) may be a reference.

¹⁹ This STX could not obtain the draft bill and is not in the position to assess the contents of bill.

A. Appeal Mechanism

23. The appeal mechanism regarding the decisions on customs valuation, determination of goods' origin, and tariff classification has been reinstated after over a decade of suspension.²⁰

Appeal mechanism is stipulated under the Customs Act (1984), particularly in Articles 74 to 77. The current customs clearance procedures, mostly based on predeterminations, and the ban on logging an appeal once the imported goods are still under the custody of the customs administration, leaves very little room for contesting decisions relating to the determination on the customs value, rules of origin and tariff classification.

24. In addition to clarification of appeal mechanism, discrepancies between Iraqi customs appeal mechanism and those stipulated in international standards should be addressed in customs law revision. Modern appeal mechanism is well described in the international conventions which is designed to improve predictability and accountability as well as uniformity in the rulings and widely accepted by authorities and traders of many countries²¹ - Iraqi authorities would benefit from them and have no need to reinvent the wheel. Discrepancies are, among others, in eligible time period for appeal after the original decision is made by GCA, eligibility of judicial appeal as last resort after the administration appeal was one placed; possibility of release of goods with guarantee while the appeal case on that goods continues; who to handle the appeal in the GCA; and who to bear the cost. Upon the legal framework is modified in line with international standards, associated SOPs should be developed, and proper training and awareness raising would be provided both GCA staff and traders.

B. Use of Information and Communications Technology

25. Being aware of the benefits of applying ICT to customs procedures and processing, GCA recently selected ASYCUDA World for its customs clearance ICT system. Once properly introduced and used, the system will provide significant changes in the customs operations and services to the stakeholders through accurate trade data, improved flow of information, reduced manual workload, streamlined procedures, and targeted control, which will strengthen the compliance, ensure national uniformity in interpretation of laws, increase efficiency and transparency, and demotivate corruptive practices.

26. The timeframe for implementing the new ICT solution is expected to start in the second quarter of 2021. A total of 84 months was planned for the entire project to be implemented. The following lessons learned from the other countries' projects would be of interest of Iraqi authorities.

²⁰ Law 22 (2010)

²¹ International standards are Revised Kyoto Convention General Annex Standard 10.1 (also associated Guidelines), WTO customs valuation agreement Article 11, and WTO Trade Facilitation Agreement Article 4.

27. Strong capacity in project management and procurement management are quite important. United Nations Conference on Trade and Development will provide ASYCUDA software free of charge and likely provide TA experts which contract would be based on the number of days bound in the country. It would be the beneficiary's responsibility to prepare infrastructure (e.g., data server center building), procure ICT equipment and supporting software/middleware, arrange telecommunication services, for which usually customs do not have experience and expertise. Often government level procurement authority will intervene, adding time for procurement clearance. Poor project management will easily end up with a substantial delay in the progress which will inflate the cost of United Nations Conference on Trade and Development TA experts regardless they are working or waiting for the progress in part of Iraqi authorities.

28. Change management and monitoring mechanism is imperative. This ICT system installation project will bring about revolutionary change in both customs and the traders in terms of working methods and mind-sets. Well planned series of awareness-raising and training are imperative both for customs officers and traders' staff. Monitoring of readiness during the preparation as well as way of use after the launch is also important to maximize the effects of use of ICT. If optional components are also included in the project (e.g., e-payment, manifest, transit, warehousing), pertinent stakeholders, such as commercial banks and maritime transport agents, container terminal operators, cargo freight forwarders, must be covered too.

29. Customs law revision must be realized along with the ASYCUDA installation. If customs law revision delayed, there would be a situation where ASYCUDA can provide modern customs procedures from which both customs and traders would benefit but cannot activate them because the law does not allow doing so.

30. Review and change the import clearance documentation and workflow, namely, business process engineering (BPR) should be conducted along with the ASYCUDA installation project. Without BPR, ASYCUDA may retain obsolete procedures, simply changing paper format to electronic format and retain redundant/unnecessary processes, significantly undermine the benefits of automation. Once automated, system modification will become costly, ironically demotivating further reform and modernization. New system must have new procedures – therefore BPR to design and prepare new procedures and new processes must be made at an early stage of ICT system installation project. Issues of selectivity based on risk management is discussed in next sub-section.

31. Interface with tax administration should be considered in addition to interface with other trade-related government agencies. Like trade single window in other countries, interface with trade-related ministries and logistic service providers is discussed in Iraq²². An interface with tax administration appears less discussed (in case when ASYCUDA is under trade facilitation project). In Iraqi context, there is a project for a new tax administration ICT system. Synergy and collaboration

²² Also, central bank process and consular visa process are apparently discussed.

should be sought between the two projects. Also, development and better management of tax identification number should coincide with ASYCUDA installation project. Reporting to the treasury system is usually an integral part of the project.

C. Risk Management

32. GCA does not assess the compliance risks to target high-risk declarations with respect to trade compliance related to customs valuation, rules of origin and tariff classification. The current practice requires a 100 percent documentary verification and physical inspection. This situation stretches out the precious GCA's human resources and makes trade transactions costly, undermining Iraqi economic competitiveness as well as each control becomes shallow to detect irregularities. Very limited feedback from physical inspection results create uncertainty of staff's performance and integrity. Lack of ICT capabilities of selectivity based on risk management explains this situation.

33. During the ASYCUDA World installation project, GCA needs to reframe its current approach of control to targeting based on risk management. GCA will develop risk profiles by commodities, traders, origin and their combination and a mechanism to set selectivity criteria in ASYCUDA World, improved by accurate control result reporting and intelligence report, and KPIs. Similar approach should be applied to targeting PCAs. Risk management processes and internal procedures need to be developed and dedicated unit should be created in the GCA's organizational structure. For the medium term, GCA will explore new advanced approaches like data mining that refine selectivity and work on more broader compliance management, such as advance electronic information, and Authorized Economic Operator program.

D. Post-Clearance Audit

34. The Customs Act (1984) does not provide legal basis for PCA. GCA does not have legal authority to ask the traders for supporting documents after the import clearance, and the traders are not obliged to keep business records relating the import. Moreover, GCA has apparently few needs of PCA at this moment as it controls all the declarations at the importation. As consequence, GCA does not conduct PCA.

35. Customs law revision should create legal basis for PCA. Such legal base should empower the GCA to conduct audit and, if any discrepancy found, recuperate duty due after the import clearance, obliging the traders to retain clearance-related documents in an acceptable form for certain years backed up by substantive penalty if they do not retain the documents. GCA also needs to develop objectives of PCA and prioritization among the objectives: e.g., replacement of certain documentary verification at the timing of importation; verification of appropriateness of selectivity criteria of ASYCUDA World (in future); assessment of business agreements impacting customs value, e.g., on commission and royalty; inventory check of bonded warehouse, end-use verification for certain duty/tax exemption program; and, in case (e.g., Authorized Economic Operator in future),

assess the compliance capacity in terms of infrastructure, business process and management; and verification of import eligibility (e.g., certificate and license).²³

36. In parallel to customs law revision, GCA should start preparing future PCA. GCA will need to organize a series of awareness raising events and training both to its staff as well as the traders. It will create perhaps three to four PCA teams strategically and geographically allocated with means of transport. PCA teams should have good knowledge on customs valuation, rules of origin and tariff classification as well as knowledge on corporate book (e.g., inventory records, financial transaction records, corporate accounting software) and audit skills which usually customs officers do not have expertise and need training. A policy between desk audit and site-visit audit is also needed. Utmost attention should be placed in integrity: PCA will send staff to the trader's premises in a closed environment which is regarded vulnerable against corruption.²⁴

37. PCA, among others, will benefit from collaboration with domestic tax administration. Such fields are, for example, training on how to read corporate books and audit skills, exchange of high compliance risk profiles, taxpayer and importers registration management for better targeting on risk management. Such collaboration will help GCA tackle the spread of the informal economy, the high rate of ghost traders, the widespread of fake invoices and related false information, duplication of packing list, etc.

E. Training and Communication

38. GCA does not have a comprehensive training strategy, training plan and capacity, including those for customs valuation, rules of origin, and tariff classification. There is no training center or institute dedicated to customs officers' training. Currently, some voluntary experienced customs officers provide occasional and incremental basic training²⁵.

39. Training plan and training material should be carefully developed in the context of Iraq. The objective of training must be clearly identified: training for daily operations; awareness-raising as part of change management; training to develop new SOPs; preparation of new system; preparation of new SOPs, etc. Iraq is being introduced new law and new ICT system: training plan should align with such "new" procedures and systems. Unless training materials are ready, training may not be

²³ End-use verification, bonded warehouse inventory check, Authorized Economic Operator status verification may or may not be done by PCA unit.

²⁴ Likely corruption is not only extortion type (demand money without return), but collusive type between the auditor and the trader, e.g., the auditor will blind-eyes on fraud, additional duty and penalty in return the trader offers bribe at amount of 50 percent of additional duty and penalty. In this case, both the customs auditor and the traders are better off, difficult to detect and easy to wide-spread. The loser would be honest traders (losing the competitiveness), honest customs auditor (lower income than corrupt officers), and the government (losing the revenue).

²⁵ GCA is using the available Ministry of Finance training infrastructure.

able to take place. Information sharing of international practices to ordinary staff should be refrained (unless awareness raising is the objective). With clear objective, training of international standards for dedicated staff developing “Iraqi regulations” along with international standards are advisable, preferably it is more form of workshop to create deliverables, e.g., detailed gap analysis, work plan. In such a case, GCA may consider benefiting from development partners, or as a temporary solution, using the WCO training resources available through e-learning for all the country members²⁶.

40. Trader education and information approaches help improve trade compliance without increasing administrative costs. The valuation program, rule of origin, and tariff classification are complex programs. Development of detailed guidance, organizing information sessions, particularly for new importers, setting up a support line are good practices to help the trading community comply with the most complex customs assessment issues.

SUMMARY OF RECOMMENDATIONS AND NEXT STEPS

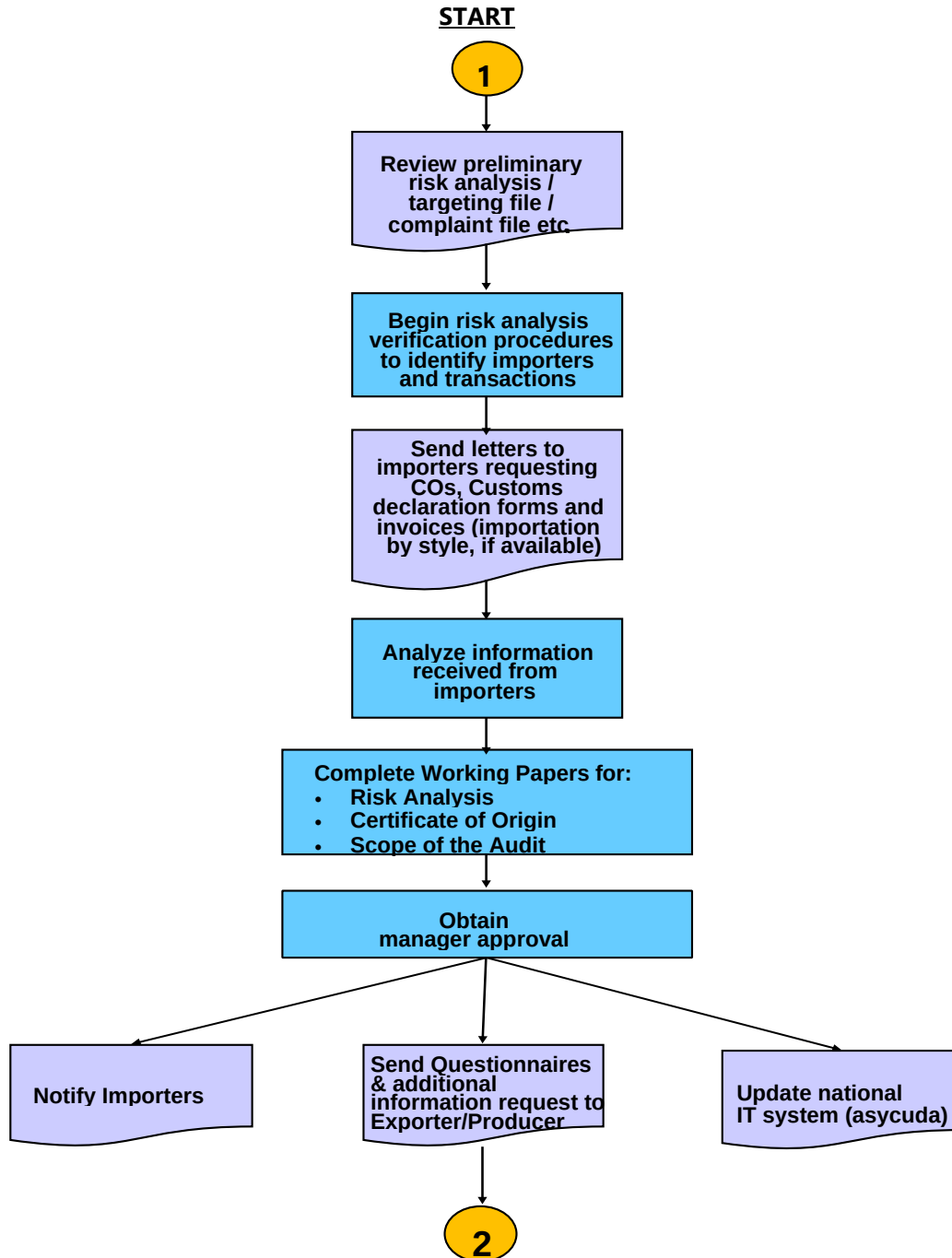
Box 1. Summary of Recommendations

- The country's outdated customs, legal and regulatory framework should be revised and aligned more closely with international standards and recognized best practices.
- Iraq needs to officially adhere to the principles of the international convention on the HS Convention, and follow the implementation guidelines of the last version of the HS Nomenclature Edition (shall enter in force on January 1, 2022);
- The valuation of imported goods must be based on the WTO Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade (1994);
- Appeal mechanism has to be modernized in alignment with the international standards;
- Iraq should use the principles of the WTO Trade Facilitation Agreement (2013) as a template to modernize its border and customs procedures, even before formal WTO membership. Guidelines and gap analysis tools are freely available through the WTO website.
- GCA needs to prepare a comprehensive information technology (IT) strategy that provides a clear road map regarding the ASYCUDA Word implementation. Many applications are not included in the basic IT solution offer. GCA needs to decide whether or not it wishes to implement these additional applications as Cargo Control, E-Manifest; E-payment; warehousing and transit;
- Improve the capacity of trade compliance officials (customs valuation, rules of origin, and tariff classification) and development of training plan and training materials,
- Establish regular and structured communication channels between HQ and the BCPs will help uniform delivery of customs programs;
- A customs thorough diagnostic is advisable, and a comprehensive strategic plan and management capacity development should be prepared, and a Modernization Project Office created (MPO). The MPO will be responsible for managing and monitoring all the reform activities as well as coordinate all available technical assistance or other support available from different donors.

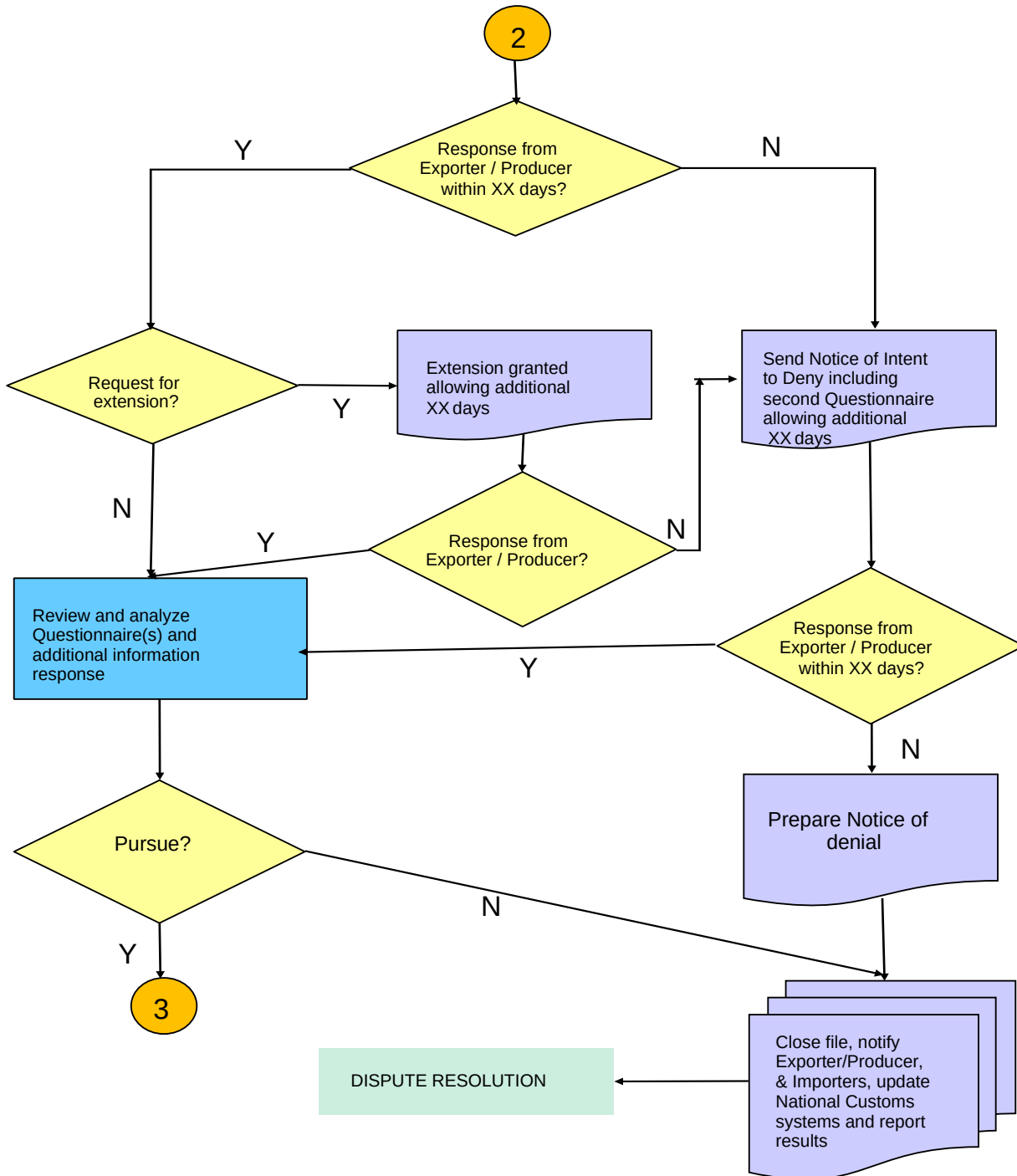
²⁶ <https://clikc.wcoomd.org/>

APPENDIX I. AUDIT PROCESS—PREFERENTIAL RULES OF ORIGIN

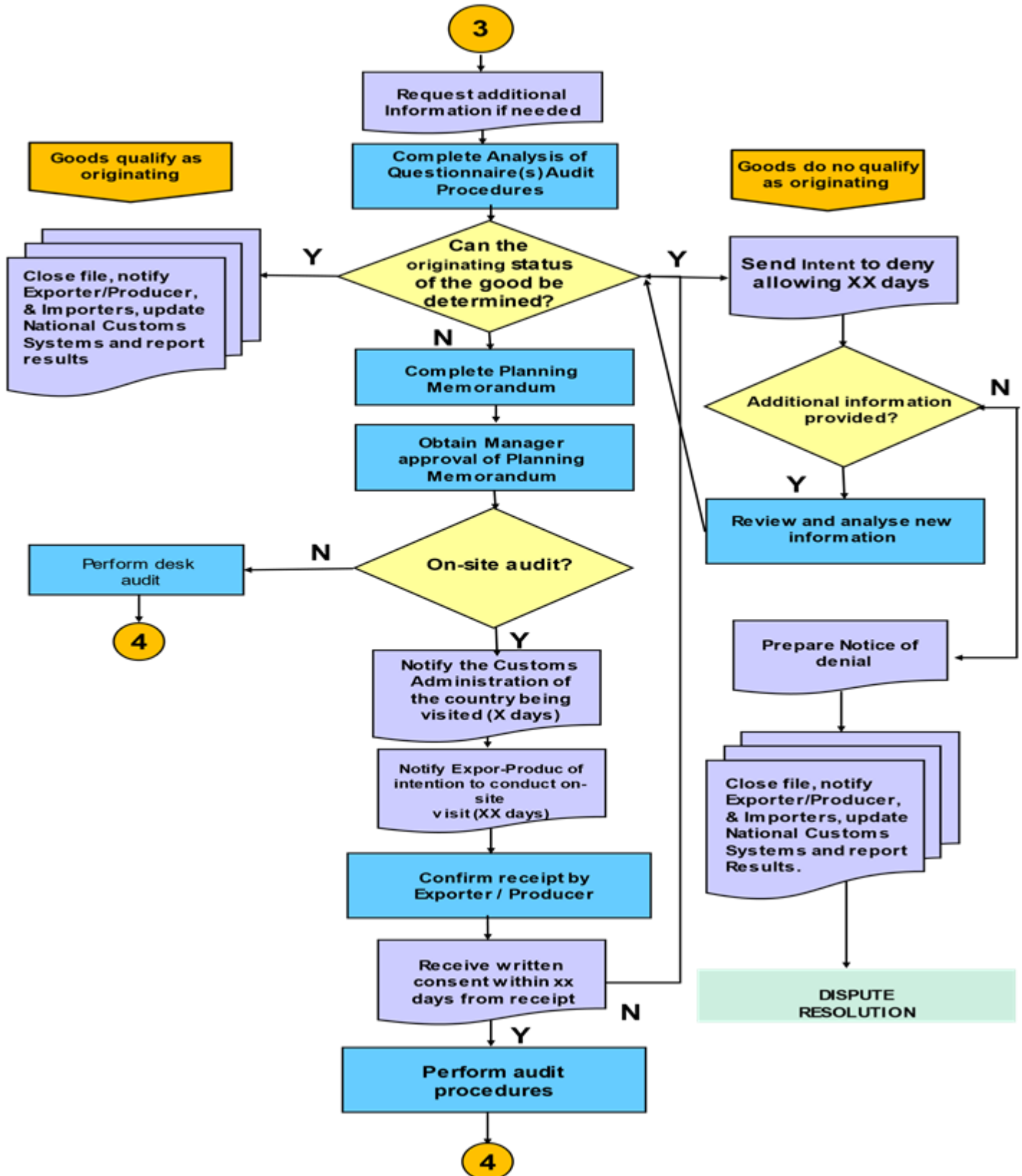
Planning and Preparation, Risk Analysis,
Certificate of Origin and Scope of the Audit



Planning and Preparation
Analysis of Questionnaire

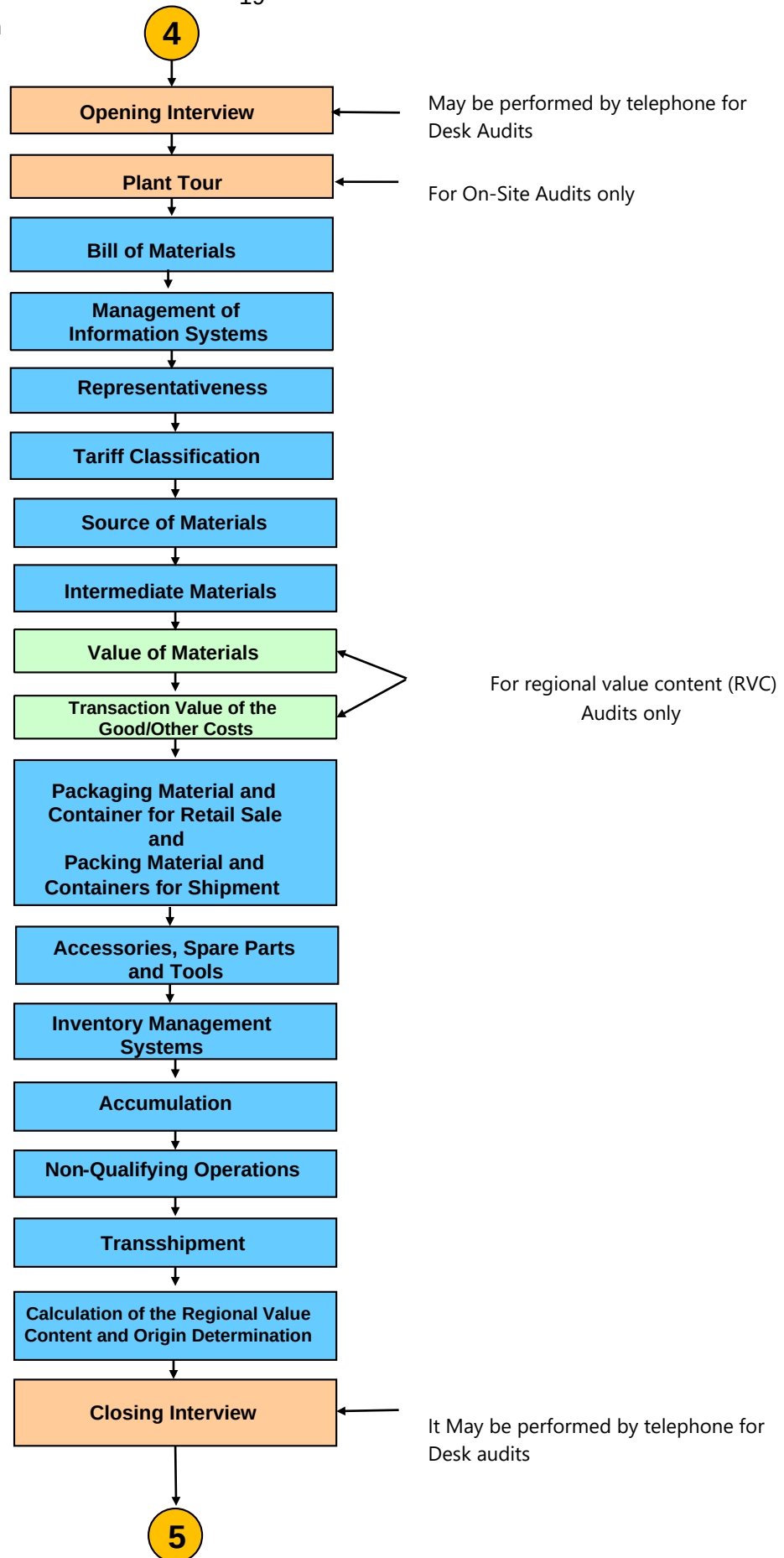


Planning and Preparation
Planning Memorandum

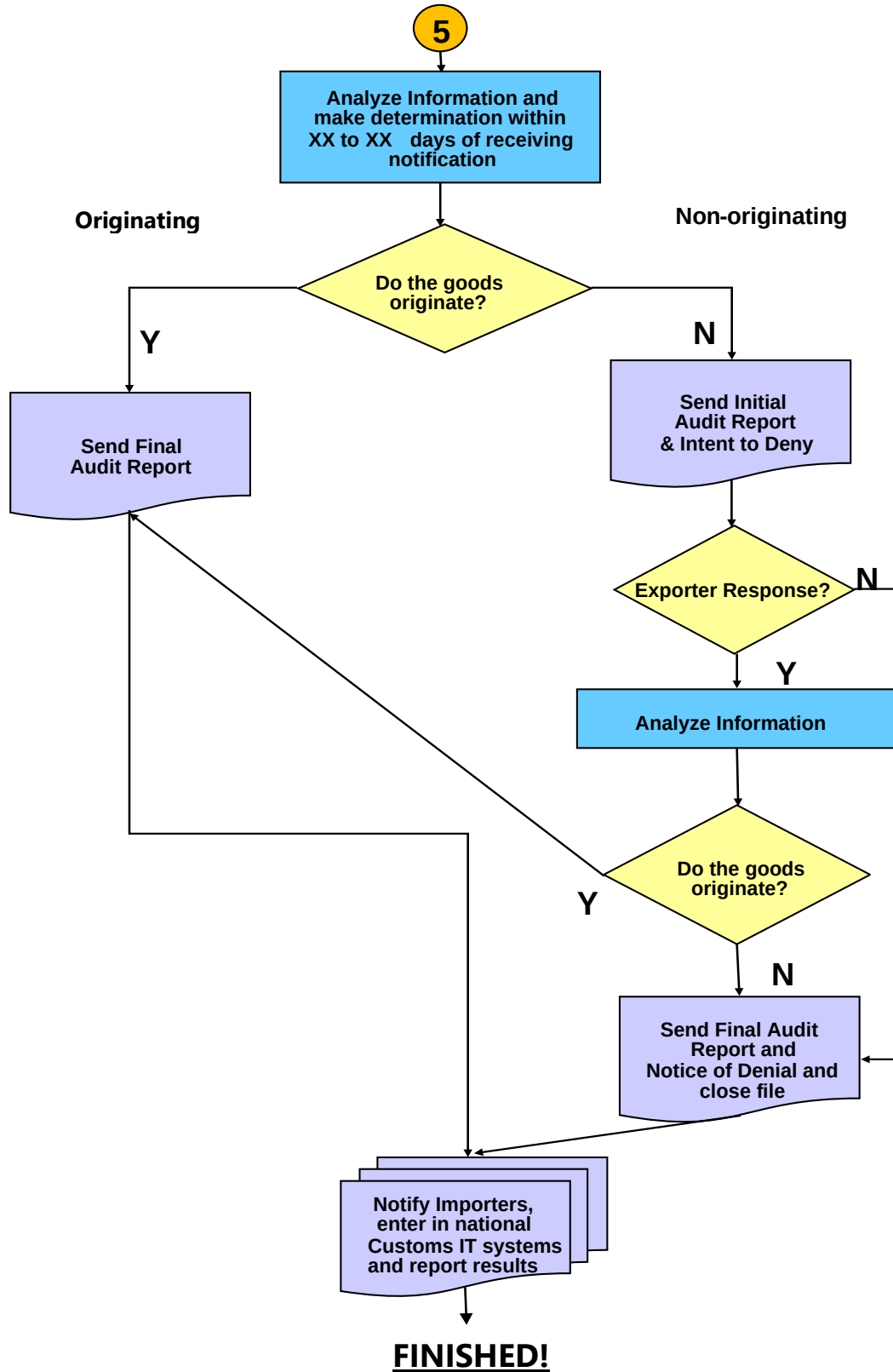


Origin Audit Program

19



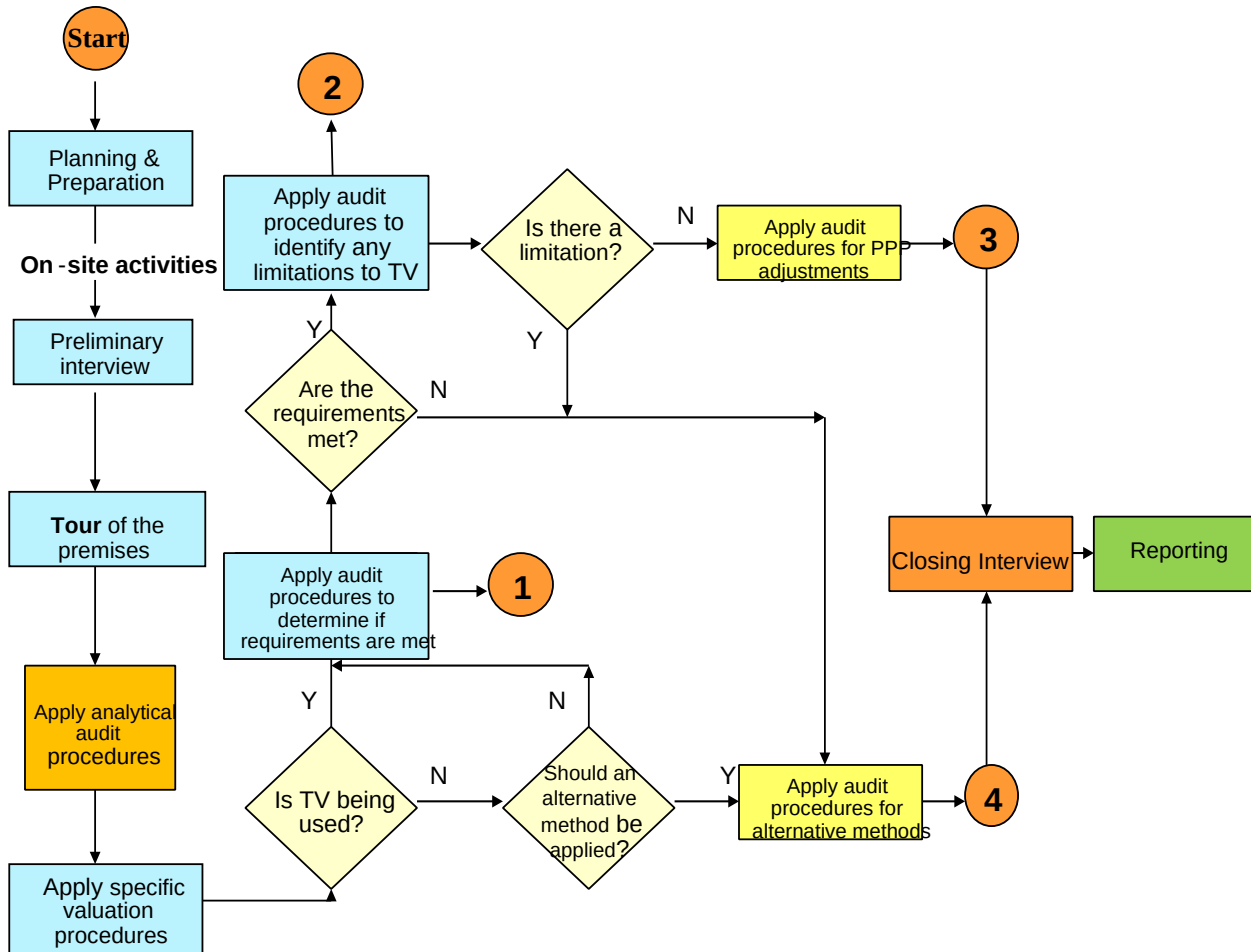
The Origin Audit Process Closing the File



Appendix II. The Customs Valuation Audit Process

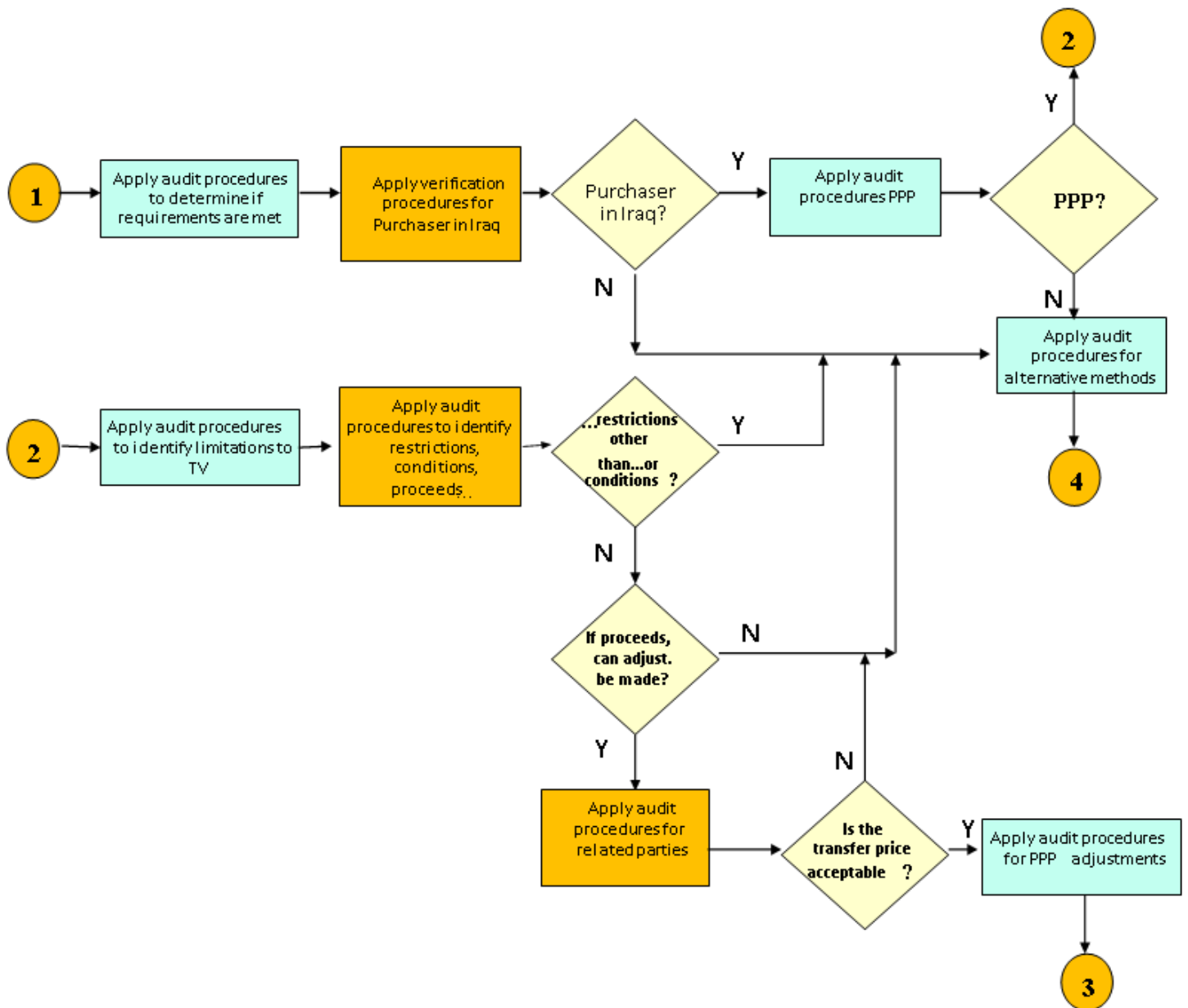
The customs valuation audit process¹

based on the Agreement of the implementation of Article VII of the General Agreement on Tariffs and Trade (1994) - 1



¹Based on customs valuation agreement

The customs valuation audit process
based on the Agreement of the implementation of Article VII of the General Agreement on
Tariffs and Trade (1994) - 2



The customs valuation audit process
based on the Agreement of the implementation of Article VII of the General Agreement on
Tariffs and Trade (1994) - 3

